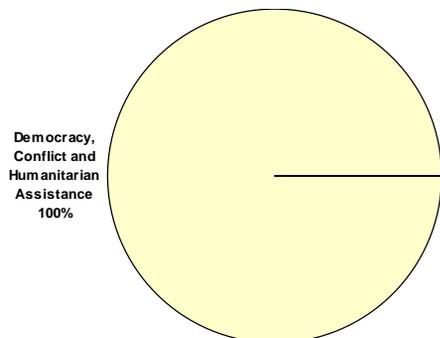
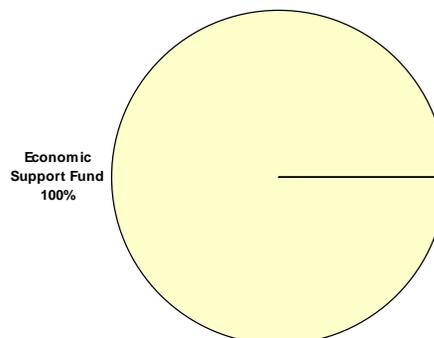


Cyprus

FY 2006 Assistance by Sector



FY 2006 Assistance by Account

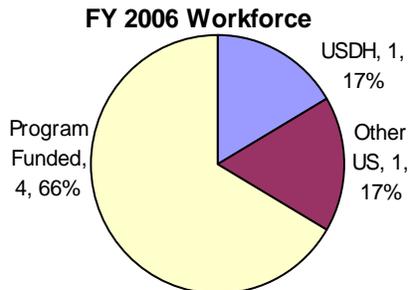


Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Cyprus Bicomunal Program	233-0410	33,520	8,492	14,400
Transfers		4,900	4,900	5,600
Total (in thousands of dollars)		38,420	13,392	20,000

Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation		350	250
USDH Salaries & Benefits		140	143
Program Funds		275	275
Total (in thousands of dollars)		765	668



Mission Director: Thomas Mefford

Cyprus PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Economic Support Fund	14,903	38,420	13,392	20,000
Total Program Funds	14,903	38,420	13,392	20,000

STRATEGIC OBJECTIVE SUMMARY				
233-0410 Cyprus Bicommunal Program				
ESF	10,092	33,520	8,492	14,400
TRANSFER				
ESF	4,811	4,900	4,900	5,600

Deputy Assistant Administrator,
Thomas Mefford

Cyprus

The Development Challenge: USAID assistance to Cyprus began as a humanitarian relief operation in the summer of 1974 and has since evolved into a multi-sector development program aimed at increasing the quality and quantity of interaction between the estranged and geographically-separated Greek Cypriot and Turkish Cypriot communities and reducing the significant economic disparity between the communities to reinforce the practical, economic foundation for reunification under a future bi-zonal, bi-communal federation. USAID assistance supports cooperation between individuals and organizations from the two sides in order to reduce tensions and promote a climate that will foster reconciliation and a durable peace settlement.

The division of the two physically separated communities is reinforced by economic differences. While Greek Cypriot per capita gross domestic product (GDP) is approximately \$19,200, Turkish Cypriot per capita GDP is approximately \$5,600. The disenchantment of the Turkish Cypriot community is reflected in an ongoing process of emigration, including many of the young, and a resulting brain drain.

Facilitating a resolution to the Cyprus dispute, defusing tensions between NATO allies Greece and Turkey, and promoting stability in the Eastern Mediterranean remain key U.S. foreign policy priorities. The United States supports the mission of the United Nations Secretary General in working to achieve a just and lasting settlement that protects the legitimate interests of both Greek Cypriots and Turkish Cypriots. Since April 2004, when Greek Cypriots rejected the Annan Plan in referendum 76% to 24% and the Turkish Cypriots approved the Annan Plan 66% to 34%, the international community, led by calls from the United Nations Secretary General and the European Union (EU) Council of Ministers, has worked to reduce Turkish Cypriot isolation. The international community, especially the United States, has

reiterated its position that the Annan Plan remains the best and only basis for a permanent solution and has encouraged the two sides to engage in a productive dialogue to convince the Secretary General to resume negotiations based on the will for a solution on both sides. This remains a challenge in a complex context in which the Republic of Cyprus is an EU member since May 1, 2004 and Turkey's EU accession negotiations are set to begin on October 3, 2005.

The USAID Program: U.S. objectives for Cyprus include reunification of the island, reduction of tensions, and promotion of peace and cooperation between the two communities on Cyprus. USAID's approach supports these objectives by focusing on increasing and strengthening cooperation and mutual tolerance between Greek Cypriots and Turkish Cypriots, supporting initiatives that encourage a comprehensive settlement. These include recent initiatives to reduce economic disparities between the communities, so that the Turkish Cypriot community can shoulder its share of the economic costs of settlement. The resulting cooperative relationships and activities are expected to strengthen each side's ability to compromise on a just and lasting settlement; provide opportunities for multi-sector contacts to increase the number of stakeholders in a solution; provide tangible examples of the benefits of cooperation and permanent settlement; and promote tolerance and mutual understanding between the two communities in support of a comprehensive settlement.

USAID's ESF grant to the United Nations Development Programme (UNDP) for the Bicomunal Development Program (BDP) supports technical assistance, commodities, and training and workshops related to multi-sector cooperation, including in agriculture and veterinary science, education, civil society, and non-governmental organization (NGO) strengthening, information technology, communication, and telecommunications. Activities also involve local governance through improved services and public infrastructure, environmental management, public health, economic development, urban renewal, and historic restoration and preservation. The program has fostered cooperation despite an unevenly enforced prohibition on bi-communal meetings by the Turkish Cypriot leadership. According to the UNDP October 2002 Annual Report there were over 155 bi-communal meetings in 2001. In 2002, the number of BDP-facilitated bi-communal meetings (over 200) far exceeded the number that took place in 1996, previously considered the high point of bi-communal activities. The opening of the checkpoints between the north and south in April 2003 has enabled a deepening of bi-communal activities. Meetings between Greek Cypriots and Turkish Cypriots to plan and implement projects of island-wide interest are becoming commonplace, as are activities that bring the two communities together for a common cause. There are approximately 40 ongoing activities with the authorities of the two Cypriot communities, with 60 more initiatives being implemented by NGOs in both communities.

USAID's Cyprus Partnership for Economic Growth Program (CyPEG), which began at the end of 2004, firmly supports the goal of reunification and empowered cooperation of all Cypriots. CyPEG will accelerate economic growth in the Turkish-Cypriot community to directly support north-south economic integration and the adoption and implementation of EU standards, and lead to a Turkish-Cypriot community that can shoulder its share of the economic costs of settlement and reunification. It will strengthen the domestic and international competitiveness of the Turkish-Cypriot small and medium enterprises (SMEs) and help restructure the financial sector so that the SMEs can thrive. Assistance will include direct firm-level technical assistance to improve quality, adopt standards, implement best practices, establish lending programs and bank guarantee programs, and provide infrastructure support for business (e.g. efficiencies in the use of energy and related markets consistent with European markets, and transportation and storage facilities). The restructuring of the financial sector will include bank reform, restructuring and consolidation assistance, adoption and implementation of EU and international standards, and training.

In case of actual political settlement, the program would support the terms of the approved peace agreement in strategic areas, facilitate the transition, help to ensure its implementation, and be dedicated to the success and viability of the UN-brokered agreement between the two communities.

Other Program Elements: Other agencies' activities include the U.S. State Department's Cyprus-America Scholarship Program, implemented by the Cyprus Fulbright Commission, and the Bicomunal Support Program, implemented by the U.S. Embassy in Nicosia.

Other Donors: The United States is the principal bilateral donor supporting bi-communal activities in Cyprus. The U.K., Germany, Norway, Slovakia, and the Czech Republic are funding modest initiatives focused on civil society, urban restoration, women, political parties, entrepreneurs, journalists, and labor unions. With Cyprus' recent EU accession, the EU will presumably become the largest overall donor to Cyprus, supporting the development of the entire island. A total of Euro 259 million has been proposed to help economic development in the Turkish Cypriot Community, with particular emphasis on alignment with EU legislation and policies, social and economic development, and development of infrastructure.

US Financing in Thousands of Dollars

Cyprus

233-0410 Cyprus Bicommunal Program	ESF
Through September 30, 2003	
Obligations	234,522
Expenditures	214,419
Unliquidated	20,103
Fiscal Year 2004	
Obligations	7,299
Expenditures	14,378
Through September 30, 2004	
Obligations	241,821
Expenditures	228,797
Unliquidated	13,024
Prior Year Unobligated Funds	
Obligations	38,555
Planned Fiscal Year 2005 NOA	
Obligations	8,492
Total Planned Fiscal Year 2005	
Obligations	47,047
Proposed Fiscal Year 2006 NOA	

Obligations	14,400
Future Obligations	0
Est. Total Cost	303,268

Data Sheet

USAID Mission:	Cyprus
Program Title:	Cyprus Bicomunal Program
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	233-0410
Status:	Continuing
Planned FY 2005 Obligation:	\$8,492,000 ESF
Prior Year Unobligated:	\$38,555,000 ESF
Proposed FY 2006 Obligation:	\$14,400,000 ESF
Year of Initial Obligation:	1975
Estimated Year of Final Obligation:	

Summary: USAID's program to reduce tensions and promote a climate that will foster reconciliation and a durable peace settlement for Greek Cypriots and Turkish Cypriots supports a variety of activities in a wide range of areas. USAID's program includes support for economic development, civil society empowerment, good governance, education, and social and cultural exchange, especially among youth. USAID assistance supporting reconciliation includes technical assistance for sector-specific activities and implementing partners, related training and workshops, sub-grants to non-governmental organizations (NGOs), and commodities including materials, equipment, and supplies.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Community-based Reconciliation Efforts (\$8,492,000 ESF, \$7,970,000 ESF carryover). Under the continuing Bicomunal Development Program USAID will fund discrete activities in civil society/local governance, information/education/communication (e.g. TV programs for children in both communities), and sustainable development that bring together diverse elements of the community to promote and provide mutually beneficial solutions to local needs. Principal grantee: UNDP (prime) and others to be determined (TBD).

Increase Private Sector Growth (\$25,000,000 ESF carryover, \$5,585,000 ESF prior year recoveries). Through the Cyprus Partnership for Economic Growth Program (CyPEG), which began in FY 2004, USAID will continue activities to strengthen the Turkish Cypriot economy and its interaction with that of Greek Cypriot small and medium enterprises and other institutions essential to economic growth. Contractor/grantee TBD.

FY 2006 Program: Improve Community-based Reconciliation Efforts (\$9,400,000 ESF). The Bicomunal Development Program will continue activities similar to ongoing activities. If a political settlement is reached, programming will likely shift towards activities that encourage support for and implementation of the political settlement. Contractor/grantees: TBD.

Increase Private Sector Growth (\$5,000,000 ESF) . The Cyprus Partnership for Economic Growth will continue activities to strengthen the Turkish Cypriot economy and its interaction with that of Greek Cypriot small and medium enterprises and other institutions essential to economic growth. Contractor/grantee TBD.

Performance and Results: BDP and CyPEG each offer unique advantages; together, they represent a complementary array of resources to addresses the ongoing Cyprus Problem. Overall, the bi-communal program has fostered cooperation on activities of mutual interest for island-wide benefit and has increased mutual understanding between Greek and Turkish Cypriots in multiple sectors through more than 100 different activities.

Principal near-term results for the Bicomunal Development Program include: support and facilitation of public debate on settlement and the Annan Plan; continued development of bi-communal contacts and cooperation on activities such as the expansion and repair of the Nicosia sewerage and water systems shared by both the Greek Cypriots and the Turkish Cypriots; the repair and restoration of historical and

culturally significant sites such as the Hala Sultan Tekke Mosque, Apostolos Andreas Monastery, the Venetian Wall around Nicosia, the orphaned churches of Lapithos village, the church and mosque of Pentakomo village; a comprehensive survey of the infrastructure in the UN-patrolled Buffer Zone; a comparative survey of political and national attitudes and perceptions; seminars and workshops on a range of specific topics; the first on-line daily translation of newspaper articles from Greek to Turkish and Turkish to Greek; and the production and broadcast of educational programs, including documentaries, an adult comedy series, and an eight-episode children's educational television program.

The overall impact achieved is ongoing contact and a growing network of Greek-Cypriot and Turkish-Cypriot organizations, institutions, and individuals collaborating on developmental initiatives to benefit the island as a whole. Such functional and cooperative relationships will help set the stage for the island-wide reconciliation following political settlement. The program is designed to be open to targets of opportunity that support a political settlement. In the event of such an agreement, program priorities will be adjusted and dedicated to support the successful implementation of a viable, UN-brokered and sanctioned peace plan.

US Financing in Thousands of Dollars

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